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THE BEEF CATTLE SITUATION

This is the first issue of The Beef Cattle Situation, one of a new series of commodity reports to be released by the Bureau of Agricultural Economics. The Beef Cattle Situation to be issued monthly, will provide current information on changes in the factors which affect the outlook for production and prices of cattle and calves. The present form of this report is experimental. Comments, criticisms and suggestions will be welcome.

Summary

Slaughter of cattle and calves in 1937 probably will be considerably smaller than those of 1936 and somewhat smaller than the commercial slaughter of 1934 and 1935. Slaughter of both cattle and calves in 1937, however, will be larger than the average of the 5 years preceding 1934. The slaughter supply this year will include a relatively small number and proportion of the better grades of grain fed cattle. The number of cattle on feed for market in the Corn Belt States on January 1, 1937, was estimated to be 23 percent smaller than a year earlier and was much below average.

Consumer demand for beef and veal in 1937 probably will be somewhat stronger than in 1936. In view of the prospective decrease in slaughter supplies and the probable further increase in consumer demand for meats, the general level of cattle prices in 1937 is expected to be higher than in 1936.

Cattle prices rose sharply in late December and early January. This advance carried prices of the several grades of slaughter steers to the highest level since early 1936. Slaughter supplies of cattle and calves as well as of other livestock continued large. Inspected slaughter of cattle in December was the third largest commercial slaughter for the month on record. Calf slaughter was the largest ever recorded for the month.

The usual trend in prices of better grades of slaughter cattle is downward in the first half of the year. But in the first half of 1937 the reduction in marketings of grain-finished cattle probably will be accompanied by a rise in prices of such cattle. Prices of the lower grades of slaughter cattle usually advance in the first 6 months of the year, and in the first half of the present year they are expected to advance at least as much as they usually do in this period.

Review of Recent Developments

Prices of the better grades of slaughter cattle, especially heavy cattle, advanced sharply during December. In the last half of the month prices of nearly all kinds of slaughter cattle strengthened somewhat. Prices of veal calves also advanced. Prices of stocker and feeder cattle were about steady during the first 3 weeks of December, but rose sharply the last week.

In early January the top price of slaughter cattle at Chicago reached \$13.80, the highest price paid at that market since early last year. The advance in the last month has been somewhat more pronounced in the prices of heavy well-finished cattle than in the prices of other kinds. In the early fall, however, prices of weighty steers were generally somewhat weaker than prices of the lighter weights. The growing scarcity of heavy grain-finished cattle is primarily responsible for the reversal in this situation.

The advance in prices during December carried prices of the several grades of slaughter ~~steers~~ at Chicago to the highest level since early 1936 or late 1935. Although the average price of each grade of steers in December was higher than in November, the weighted average price for all grades was slightly lower because of an increased proportion of lower grades in the total December receipts.

The average price of all grades of beef steers at Chicago was \$10.27 compared with \$10.31 in November, and \$9.79 in December 1935. As compared with a year earlier, however, the average prices of the Choice and Good grades of steers were somewhat lower in December, while the average prices of the Common and Medium grades were slightly higher. The higher weighted average price for the month than a year earlier was due partly to the larger proportion of the better grades of slaughter steers included in the total steer supply in December of this year.

The marked decline in the prices of better grades of slaughter steers which began in early February 1936 was terminated in late June. From mid-January to late June prices of the choice and good grades of steers at Chicago declined about \$5 and \$2.70 per 100 pounds, respectively. Since late June, prices of the choice grades have risen about \$3.60 and prices of the good grades about \$2.90. However, prices of the better grades of slaughter cattle normally advance in the last 6 months of the year. Prices of the lower grades also have advanced somewhat since June, although the usual trend in prices of the lower grades of slaughter cattle is downward in the last half of the year.

Slaughter supplies of cattle and calves as well as of other livestock in December continued relatively large. Inspected slaughter of cattle totaling 987,000 head was about the same as in November but was 10 percent larger than in December 1935, and was the third largest commercial slaughter for the month on record. Inspected slaughter of calves in December, amounting to 494,000 head, was slightly larger than in November or December a year earlier. And it was the largest commercial slaughter of calves for the month on record.

The commercial slaughter of cattle under Federal inspection for the entire year 1936 totaled 10,972,000 head - the second largest on record, being exceeded only by the number slaughtered in 1918. Commercial slaughter of calves under Federal inspection in 1936, totaling 6,070,000 head, also was the second largest on record, being exceeded slightly by the commercial calf slaughter in 1934. The combined total of cattle and calves slaughtered under Federal inspection in 1936, however, was the largest for any year on record. (Slaughter of cattle and calves under Federal inspection usually represents about 60 to 70 percent of the total slaughter of all cattle and calves.)

Receipts of beef steers at Chicago in December were somewhat larger than in either October or November, and they were considerably larger than in December 1935. The number and proportion of choice and prime grades of steers received at this market in December were smaller than in October or November but the number and proportion of other grades were larger. The combined number in proportion of good and choice grades of steers in the total Chicago receipts, however, was considerably larger in December than in the corresponding month a year earlier, whereas the combined number of the common and medium grades of steers was about the same as a year earlier.

Cattle Feeding Situation

The number of cattle on feed in the Corn Belt States on January 1, 1936, was estimated at 23 percent smaller than the number on feed on the corresponding date a year earlier. The number was about 10 percent larger, however, than on January 1, 1935, following the 1934 drought. The reduction from last year was greatest in the Western Corn Belt States where feed supplies were sharply curtailed by drought. The number of cattle on feed in the 11 Western States and Texas and Oklahoma on January 1 was estimated to be 11 percent larger than a year earlier and almost twice as large as the number on January 1, 1935. In this area feed supplies generally are relatively more plentiful and feed prices relatively cheaper than in the Corn Belt.

Shipments of stocker and feeder cattle inspected at stockyards from July to December 1936 were about 6 percent smaller than last year and were the second smallest for the period in 18 years. All of the decrease from a year earlier was in the shipments into the Western Corn Belt. Shipments into the Eastern Corn Belt were not only slightly larger than last year but were the largest in over 10 years and represented the largest proportion of the total Corn Belt shipments on record.

Reports from the Corn Belt indicate that a much larger than usual proportion of the cattle shipped in this fall will be carried through the winter on hay, fodder and other roughage, pastured next summer, and either sold as grass cattle next fall or fed out in the winter of 1937 and 1938. This tendency toward increasing the proportion of cattle carried during the winter on hay and roughage is also indicated by the increased proportion of light weight stocker and feeder cattle shipped from markets in recent months. In the period from July to December 1936, 60 percent of the total number of stocker and feeder steers shipped from four markets weighed less than 700 pounds. In the same period of 1935 this proportion was 54 percent.

The outcome of feeding operations this winter will depend largely upon the extent of the advance in prices of grain-finished cattle during the first half of 1937. Feeding operations for cattle marketed from February to August 1936 were generally unprofitable, but despite this situation the demand for stocker and feeder cattle in the fall of 1936 was fairly strong, as indicated by the narrow spread between prices of stocker and feeder steers and prices of slaughter cattle. As compared with a year earlier, prices of feeder cattle last fall were only about \$1 per 100 pounds lower, whereas feed costs have been much higher.

The value of unfinished steers plus the estimated costs of feed for finishing was higher in the fall of 1936 than in either 1935 or 1934. Reports indicate, however, that a large part of the grain-fed cattle marketed in the past 2 months have sold at prices sufficiently high in relation to the costs of unfinished cattle and feed to yield profits to feeders.

Outlook

Slaughter of both cattle and calves in 1937 is expected to be considerably smaller than in 1936 and somewhat smaller than the commercial slaughter in 1934 and 1935. Cattle slaughter in 1937, however, will be larger than the average for the 5 years preceding 1934. The slaughter supply this year will include a relatively small number and proportion of the better grades of grain-fed cattle.

Consumer demand for beef and veal in 1937 probably will be somewhat stronger than in 1936. The demand for meats generally has been improving since 1933 as a result of increases in payrolls and industrial activity. Changes in national income probably are the best measure of changes in this demand. Preliminary estimates of national income indicate that the total income for 1936 will be about 10 percent greater than that of 1935 and a further increase is probable in 1937. In both 1935 and 1936 the demand for beef also was strengthened by the greatly reduced supplies of hogs and pork. In 1937 it is expected that slaughter supplies of hogs will continue at a level much below average.

In the first 11 months of 1936, the total of payments by packers for cattle and calves slaughtered under Federal inspection was about 10 percent larger than in the corresponding months of 1935 and was the largest for the period since 1930.

In view of the prospective decrease in slaughter supplies of cattle and the probable further improvement in consumer demand, it is expected that the general level of cattle prices in 1937 will be higher than in 1936. Marketings of grain-fed cattle already are being reduced; they may hold up fairly well in January and perhaps February, however, since reports indicate that there are still a considerable number of long-fed cattle now in feedlots. It is probable, however, that the number of well-finished cattle marketed in the first 6 months of 1937 will be smaller than a year earlier. Thus it seems likely that the advance in price of the better grades of slaughter cattle which began in late 1936 will continue in the first half of 1937. The trend in price of these kinds of cattle is usually downward in the first 6 months of the year.

In view of the smaller total slaughter of cattle in prospect and the probable low level of slaughter supplies of hogs, it is expected that prices of the lower grades of slaughter cattle in the first half of 1937 will advance at least as much as they usually do in the first 6 months of the year.

If crop production and pasture conditions in 1937 are fairly normal it is probable that a rather broad demand for replacement stock of all kinds will develop in the spring and summer of 1937. This demand will be most pronounced in areas where cattle numbers were sharply reduced by the droughts of 1934 and 1936, particularly in the West North Central and West South Central States and in other portions of the Great Plains. Such a development may result in relatively high local prices for cows and heifers in 1937.

Classification	1934			1935			1936		
	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.
Beef steers sold out of:									
first hands at Chicago:									
Choice and prime ... :	8.62:	8.73:	9.48:	12.31:	12.51:	13.19:	9.93:	11.41:	11.88:
Good	7.52:	7.50:	8.04:	10.81:	10.55:	10.62:	9.10:	9.95:	10.38:
Medium	5.62:	5.39:	5.74:	8.54:	8.21:	8.23:	8.14:	8.38:	8.64:
Common	3.77:	3.83:	3.95:	6.47:	6.32:	6.52:	6.58:	6.66:	6.76:
All grades	7.48:	7.28:	7.41:	10.38:	9.97:	9.79:	9.31:	10.31:	10.27:
Cows, Chicago:									
Good	4.07:	4.02:	4.40:	5.99:	5.90:	6.27:	5.76:	6.10:	5.97:
Low cutter and cutter:	2.23:	1.88:	1.82:	3.79:	3.81:	4.19:	3.78:	3.80:	3.87:
Vealers, Chicago:									
Good and choice	6.82:	5.78:	5.87:	9.76:	10.01:	10.01:	9.48:	8.91:	10.21:
Stocker and feeder									
steers, Kansas City:									
500-800 pounds,									
good and choice ... :	4.24:	4.30:	4.25:	7.59:	7.35:	7.47:	6.24:	6.37:	6.61:
800-1,050 pounds,									
good and choice ... :	4.55:	4.50:	4.58:	7.29:	7.10:	7.38:	6.50:	6.72:	6.70:
Average price paid by									
packers:									
Cattle	4.34:	4.00:	4.41:	5.85:	5.77:	6.22:	5.84:	5.87:	
Calves	4.64:	4.29:	4.45:	6.88:	6.78:	7.11:	6.31:	6.10:	
Average price received									
by farmers:									
Beef cattle	3.96:	3.81:	3.89:	6.24:	6.05:	6.14:	5.89:	5.97:	6.17:
Calves	5.19:	4.97:	4.88:	7.65:	7.65:	7.86:	7.54:	7.46:	7.83:

Cattle and calves: Slaughter and market supplies, average 1924-33,
annual 1934-36

Item	Av. 1924-33		1934		1935		1936		
	Dec.	Jan.-	Dec.	Jan.-	Dec.	Jan.-	Nov.	Dec.	Jan.-
	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands
Inspected slaughter 1/ :									
Cattle	749	8,850	796	9,943	892	9,666	988	987	10,972
Calves	385	4,819	447	6,078	481	5,679	477	494	6,070
Beef steers sold out of first hands at Chicago:									
Choice & prime....	11	159	12	236	7	100	37	28	262
Good	34	471	37	492	25	366	15	18	345
Medium	38	416	17	193	22	179	11	17	223
Common	12	105	9	81	5	63	6	9	68
All grades.....	95	1,151	75	1,002	59	708	69	72	898
Receipts of cattle at 7 markets 2/ :	3/599	3/8,044	668	8,777	681	7,842	785	654	8,495
	: Nov.	: Jan.- : Nov.	: Nov.	: Jan.- : Nov.	: Nov.	: Jan.- : Nov.	: Oct.	: Nov.	: Jan.- : Nov.
Inspected slaughter:	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands	: Thou- : sands
Cows and heifers :	434	3,795	519	4,413	600	4,875	668	620	5,152
Steers	316	4,001	348	4,421	317	3,539	415	336	4,413
Average live weight:	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
Cattle	946	952	917	929	914	909	905	912	921
Calves	186	176	203	185	205	183	215	214	192
Average dressed wgt.									
Cattle	498	517	479	504	463	476	471	465	489
Calves	106	101	115	106	112	106	118	116	107
Total dressed wgt. :	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
Cattle	381	4,154	426	4,578	439	4,144	526	456	4,851
Calves	41	448	55	594	53	551	69	55	597
Imports 4/ :	: Number	: Number	: Number	: Number	: Number	: Number	: Number	: Number	: Number
Cattle	27,354	231,463	2,036	62,270	39,455	350,786	21,215	15,047	398,217
	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000
	: pounds	: pounds	: pounds	: pounds	: pounds	: pounds	: pounds	: pounds	: pounds
Canned beef	2,205	33,455	4,440	39,406	6,811	69,395	8,994	3,658	85,956

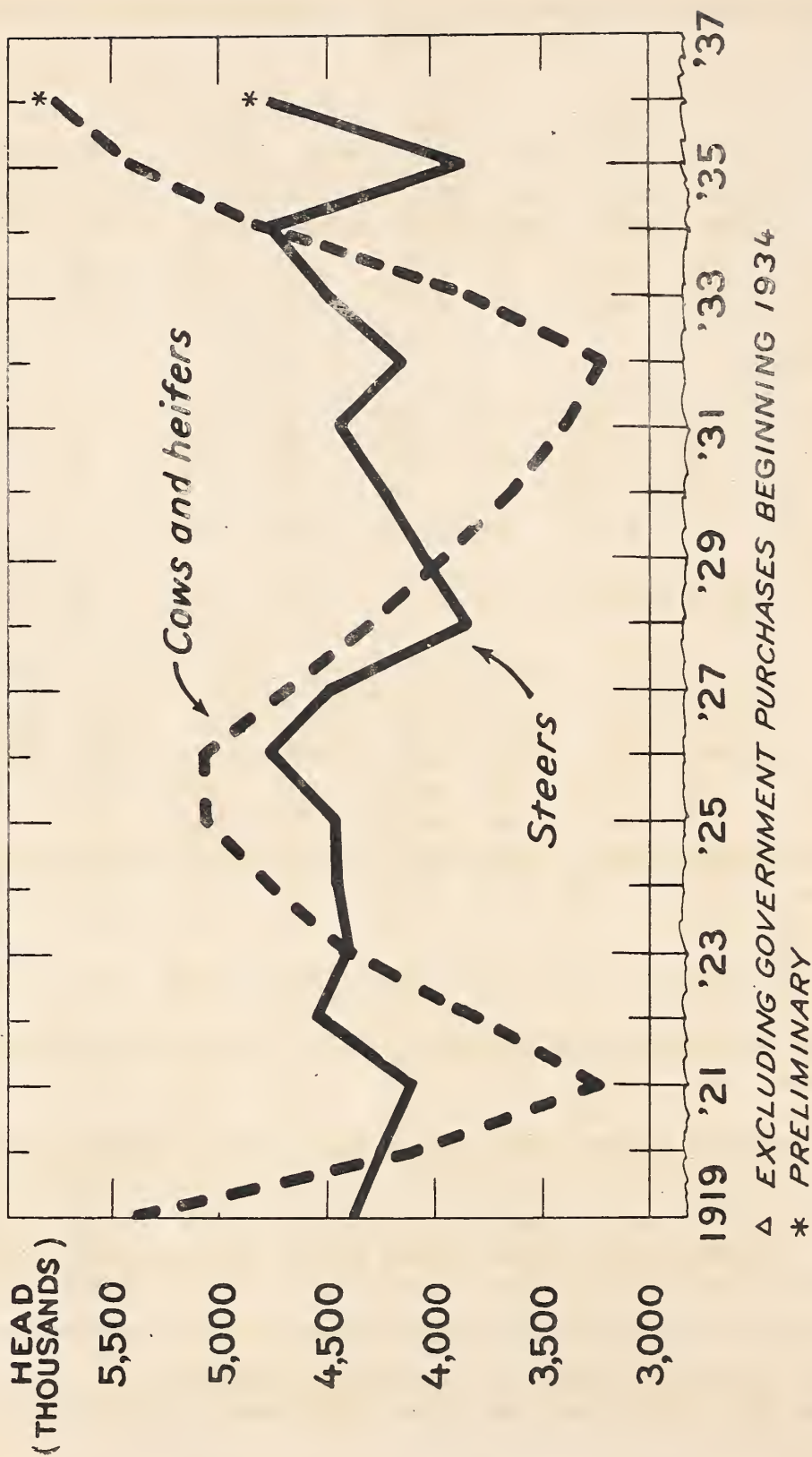
1/ Bureau of Animal Industry - Excludes Government slaughter.

2/ Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City, and St. Paul.

3/ Average 1929-33.

4/ United States Department of Commerce. Beginning 1934, imports for consumption. Canned beef from United States Department of Commerce and United States Tariff Commission.

Federally Inspected Slaughter of Steers and Cows and Heifers, 1919 to Date^Δ



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INSPECTED SLAUGHTER OF CATTLE IN 1936 WAS THE SECOND LARGEST COMMERCIAL SLAUGHTER ON RECORD. SLAUGHTER OF COWS AND HEIFERS UNDER FEDERAL INSPECTION IN 1936 WAS THE LARGEST IN THE 17 YEARS OF RECORD, BUT IT REPRESENTED A SMALLER PROPORTION OF THE TOTAL SLAUGHTER THAN IN 1935. STEER SLAUGHTER UNDER FEDERAL INSPECTION WAS SLIGHTLY SMALLER THAN THE COMMERCIAL SLAUGHTER OF STEERS IN 1934, BUT IT WAS LARGER THAN IN ALL OTHER YEARS SINCE 1918.

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